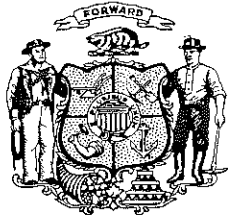


# STATE OF WISCONSIN

SENATE CHAIR  
**MARK MILLER**

317 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-9170



ASSEMBLY CHAIR  
**MARK POCAN**

309 East, State Capitol  
P.O. Box 8952  
Madison, WI 53708-8952  
Phone: (608) 266-8570

## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Mark Miller  
Representative Mark Pocan

Date: March 23, 2010

Re: Letter from DCF on Child Care Automated Attendance Tracking System

Attached is a letter from the Department of Children and Families on the child care automated attendance tracking system (AATS).

This letter is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

MM:MP:jm

Jim Doyle  
Governor

Reggie Blich  
Secretary



**State of Wisconsin**  
Department of Children and Families

201 East Washington Avenue, Room G200  
P.O. Box 8916  
Madison, WI 53708-8916

Telephone: 608-266-8684  
Fax: 608-261-6972  
[dcf.wisconsin.gov](http://dcf.wisconsin.gov)

March 23, 2010

Honorable Mark Miller, Senate Co-Chair  
Joint Committee on Finance  
Room 317 East, State Capitol  
Madison, WI 53702

Honorable Mark Pocan, Assembly Co-Chair  
Joint Committee on Finance  
Room 309 East, State Capitol  
Madison, WI 53702

Dear Senator Miller and Representative Pocan:

The Department of Children and Families (DCF) submits this letter for your information regarding the status of the Department's efforts to implement a new child care automated attendance tracking system (AATS), which has alternately been referred to as a "swipe card" system.

Over the past 18 months, the Department has made significant strides in improving the Wisconsin Shares child subsidy program and child care regulation in Wisconsin. We have implemented new management strategies, increased the use of technology, and implemented new tools authorized by the Legislature to detect and prevent fraud and improve program integrity. But more work is needed. Specifically, implementation of a Quality Rating and Improvement System (QRIS) and an AATS, both new initiatives included in Act 28, are actions that will aid the Department's efforts.

The purpose of an AATS is to enhance the ability of the Department to ensure that subsidy payments are accurate and paid to providers on behalf of eligible families based on correct attendance information. AATS will record attendance at the time a child arrives or departs a child care center, ensuring that the attendance records are timely, accurate, and independently verifiable. The Legislature recognized the need for an AATS in Act 28 by placing \$500,000 GPR in each year of the biennium in the Joint Committee on Finance's general program supplementation appropriation for this system.

In the past 12 months, DCF has adapted its current payment infrastructure to prepare for the AATS. Prior to this adaptation, providers reported only the total number of hours a child attended in a week and were paid based on the hours reported. Providers were not required to differentiate which days children came, how many hours they came each day, or whether the child attended first, second, or third shift. The result, which has been clearly documented, was

that fraudulent providers claimed enough children to fill second and third shifts, which, in many cases, never actually occurred. Beginning this spring, DCF is adding the capability for manual entry of daily attendance information (including in/out times) to DCF information technology systems. This work was essential to improving current attendance tracking and laying the foundation for automated attendance tracking.

During calendar year 2009, DCF researched automated attendance tracking systems in other states and municipalities, solicited input from provider groups, and met with vendors who have created attendance tracking systems. We evaluated this information to determine how effective swipe cards and biometric solutions – the most common of which are finger scanning and hand imaging – would be for use in tracking child care attendance. Initially, the concept of swipe cards was appealing because of the potential to link multiple services to one card. We also questioned whether biometric solutions presented privacy concerns. While program overlap with Food Share and BadgerCare is over 70% for Wisconsin Shares participants, the logistics and cost issues related to a card based system clearly show that a biometric solution better meets Wisconsin's automated attendance tracking needs.

One important comparison between the two systems concerns overhead costs, which are significantly lower for the biometric system than for swipe cards. With swipe cards, the logistics associated with card creation (for up to four or five adults authorized to do pick up and drop off), activation, and replacement (due to loss or damage) is costly and time consuming. By comparison, after initial investment in the biometric device, annual overhead costs are negligible.

Other comparisons of note relate to program integrity and system implementation. Concerns have been raised about the potential for swipe cards from one or two authorized adults to be left at provider locations, making it possible for attendance to be recorded without children being present. In Oklahoma, where Food Share and Child Care benefits are included on the swipe card, and severe penalties for card misuse are in place, licensors still find and confiscate cards from providers. Because biometric solutions produce a unique identifier, this inappropriate use of the system would be significantly more difficult to accomplish. In stakeholder listening sessions, providers also indicated that, with the high use of van transportation in urban areas, they felt use of biometric solutions, like hand imaging, would be more efficient and accurate. Efficiencies are also anticipated with the biometric system because undoubtedly each month there will be lost or forgotten swipe cards, which will affect parents' check in/check out experience and create work for providers to make manual override attendance entries. It is also the Department's goal to allow providers to use the AATS for all children in their care so children receiving subsidies will not be singled out. Implementation of a universal card system would be prohibitively costly and likely to have significant resistance from non-Shares parents. Biometric imaging, however, is becoming more prevalent in everyday life. Many school lunch programs use finger scans for children and report increased efficiency in their lunch rooms. Finger scanning or hand imaging is also used in many day care centers, health clubs, and other public settings, including getting access to lockers in airports and other public places (such as the Statue of Liberty and Disney World).

In terms of implementation costs for biometric and swipe card solutions, we have information from Oklahoma and Louisiana. Oklahoma is frequently cited as an example of a successfully implemented swipe card system for tracking child care attendance. The Oklahoma system, which combines attendance with child care and Food Share benefits on one card, cost \$6.0 million to build and requires approximately \$3.0 million per year in payments to the vendor for system services and support. Oklahoma's system covers 4,800 providers and 47,000 children. In comparison, Louisiana recently signed a contract for implementation of an attendance only system that combines finger scanning, telephone and personal computer attendance check-in/check-out options. The Louisiana contract shows the finger scan option with an estimated cost of \$2.3 million per year for 3,100 devices serving 41,000 children.

In our stakeholder listening sessions, many providers indicated that an AATS system will make their businesses more efficient, as the reporting of attendance for payment purposes will be fully automated. Based on our research and these discussions, DCF has developed a preliminary recommendation for an AATS that utilizes biometric imaging to capture daily attendance information.

As mentioned above, a biometric image, such as a finger scan, is a unique identifier derived from an electronic representation of the shape of the finger. It is not a fingerprint. Providers who are selected for the AATS will have a point-of-service device reader installed at their site. At arrival or departure from a child care center, a finger scan or palm image is taken, and the device then uses an existing phone line or Internet connection to send this information to the AATS.

The Department has evaluated Wisconsin Shares payments to all providers and is proposing that initial implementation of AATS be limited to providers who receive Shares payments over an annual threshold amount, in order to maximize the impact while limiting the cost of the system. For example, if \$120,000 per year in subsidy payments is set as a threshold for required participation, this would affect approximately 600 licensed facilities (10% of total), while covering 50% of all children served by Shares and 60% of all Shares subsidy payments. In addition, the system will be required for other providers whose billings suggest anomalous levels of activity and warrant more detailed attendance tracking. This will give DCF additional tools for ensuring program integrity.

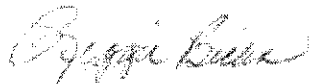
The proposed design is being incorporated into a Request for Proposal (RFP), which is expected to be released next month. DCF anticipates having a vendor contract in place for system development in the summer of 2010, with a pilot at selected providers beginning late in 2010. As a result, the system will be fully in place at the start of QRIS in the summer of 2011. Several providers have already volunteered to participate in the initial pilot phase of the project.

Once the RFP responses are received, the Department will evaluate the proposals and develop detailed cost estimates of the AATS. At that time, we will develop a plan for funding the system, prior to implementation.

Senator Mark Miller  
Representative Mark Pocan  
Page 4  
March 23, 2010

I appreciate your continued attention to Wisconsin's child care system, including the Wisconsin Shares program. We will continue to update the Joint Committee on Finance as we proceed with implementation of the automated attendance tracking system.

Sincerely,

A handwritten signature in cursive script, appearing to read "Reggie Bicha".

Reggie Bicha  
Secretary

cc: Michael Morgan, Department of Administration  
Bob Lang, Legislative Fiscal Bureau